



Memorandum

**To: The Honorable John Fonfara, Co-Chair, Finance, Revenue & Bonding Committee
The Honorable Jeffrey Berger, Co-Chair, Finance, Revenue & Bonding Committee**

Cc: Members of the Connecticut Legislature Finance, Revenue & Bonding Committee

From: Matt Mincieli, Northeast Region Executive Director, TechNet

Date: March 18, 2016

Re: Testimony in opposition to SB 448, An Act Concerning State Tax Policy

Dear Senator Fonfara, Representative Berger and through you to the members of the Finance, Revenue & Bonding Committee, my name is Matt Mincieli, and I am the Northeast Region executive director at TechNet. TechNet is a state and federal policy trade association made up of CEOs and senior executives from more than 70 of the nation's leading technology and innovation companies. On behalf of our membership, we respectfully submit the following testimony in opposition of SB 448, as currently drafted, introduced by the Finance, Revenue & Bonding Committee.

TechNet (www.technet.org) is committed to advancing the public policies and private sector initiatives that make the U.S. the most innovative country in the world. Our Member companies represent the fields of information technology, high tech manufacturing, networking, clean energy, life sciences, Internet media, e-commerce, education, sharing economy and more.

TechNet's partnership with policy makers paves the way for technology companies to create, thrive and compete. Our concern with SB 448 is that as currently drafted, it would to broadly expand definitions in terms of how a technology company conducts business in the state of Connecticut for the purposes of collecting sales tax from Connecticut consumers in a way that would stifle innovation and harm local businesses and set a dangerous precedent for other states to follow.

Online businesses are on sound Constitutional footing when not subjecting themselves to the burden of collecting and remitting sales taxes in the thousands of jurisdictions where they have no presence. Indeed, such an obligation would create an undue burden on Connecticut taxpayers and interstate commerce. Despite this, SB 448 inappropriately proposes to inject new uncertainty into business operations by requiring this collection and remittance by retailers.

These collection and remittance requirements are clearly at odds with the holdings of the U.S. Supreme Court, which has declared that such laws represent an unconstitutional burden on interstate commerce. Thus, SB 448 will lead to significant legal ambiguity for small and large

businesses about whether or not they are now required to collect and remit sales taxes in states where they have no physical presence.

Why should Connecticut taxpayers be on the hook for funding years of expensive litigation that could follow by the passage of this bill? Also, what are online sellers, who are driving small business growth around the country -- including in Connecticut -- to do during this time of indefinite regulatory purgatory? Not only would it result in no new revenue to the state, such uncertainty in tax liability will have tangible harmful effects on business operations who may still have to collect and remit tax those years until a potential judicial review commences – from the bill's effective date, to a date uncertain.

Additionally, if SB 448 were to pass, we anticipate other states would look to enact similar legislation. The implications to Connecticut small business sellers could be extremely harmful. In part, if replicated in other states, a similar law could subject Connecticut businesses to potential audits from thousands of state and local jurisdictions around the country – states in which your Connecticut companies have no physical presence. Connecticut is a state that has and should continue to support, applaud and be proud of its small businesses. These businesses allow the people of Connecticut flexibility of schedules, needed income to support families, and overall support for the American Dream. SB 448 sets the tone of over-broad taxation that threatens to take this away from small businesses outside the state and ultimately those in Connecticut as other states' tax authorities follow suit.

In closing, I respectfully thank you for your attention to TechNet's testimony and, on behalf of our membership, ask that you carefully consider the implications on consumers and the Connecticut technology sector of passing SB 448. If TechNet or our member companies can be of any assistance to you and your Committee as you deliberate this important legislation, please feel free to consider us a resource and contact me at mmincieli@technet.org.